

Georgia's Public Private Partnership (P3) Program

Board Workshop

November 4, 2009



Agenda

- Introduction
- P3 Program
- Recent Events in the U.S. P3 Market
- Review Department's P3 Efforts to Date
- Discuss Proposed P3 Rules
- Discuss the Process of Opening the P3 Rules
- Discuss Proposed P3 Guidelines
- Project Planning
- Next Steps

Introduction

- Senate Bill 200, enacted in May, revamped existing P3 enabling legislation
- This new legislative direction provides an opportunity to reinvigorate Georgia's P3 program by realigning the approach to developing and procuring P3 projects to be consistent with best practices witnessed in the US and internationally
- The Department has spent the summer months aggressively reassessing its policies, and resources in an effort to redefine its organizational approach and commitment to P3
- Critical to a successful P3 program is coordinated leadership from Georgia's leading transportation partners

"P3s need strong leadership. We have had numerous important officials working on the deal in the background. These people were instrumental in getting this deal done. " (FDOT Secretary Stephanie Kopelousos on the Port of Miami Tunnel P3 project that closed in October)

P3 Program

-Impacts of SB 200 on P3 Program-

- SB 200 eliminates all previous PPI code sections and forms a new framework for Public Private Partnerships:
 - Authorizes the Department to develop rules to assist in the evaluation of P3 proposals and to implement the purposes of the P3 law
 - Requires the Department to develop a biennial P3 project list
 - Requires all P3 projects be solicited and competitively procured
 - Provides that the Department will give quarterly reports to Legislative Transportation Committees on the progress of all P3 projects
 - Creates a P3 Division, which is supported internally by:
 - P3 Steering Committee –includes the Commissioner, two State Transportation Board members and representatives from each major division
 - Working Group –includes advisors and staff that coordinate and execute day-to-day program needs

P3 Program

-Benefits-

- Attract new capital for projects and leverage existing funding
- Capture private sector innovation
- Accelerate project delivery
- Greater cost certainty
- Encourage life cycle costs efficiencies and quality facility performance
- Shift risks from the state to the private sector partner
- Award based on best value, not simply price
- Realize competitive tension to drive value
- Project configurations provides varying degrees of private sector participation
 - Design-Build-Finance
 - Design-Build-Finance-Operate-Maintain

Recent Events in the U.S. P3 Market

-Overview-

- 2008 and 2009
 - Most active period to date for the United States P3 market
 - Multiple projects reached commercial / financial close
 - Only handful of projects cancelled / suspended
 - Need to emulate the successes and avoid the pitfalls
- Market to become even more robust over the next year
- Selected projects to be covered
 - Texas DOT - SH 130 Segments 5&6
 - Mississippi DOT - Airport Parkway
 - Texas DOT - IH 635 Managed Lanes
 - Florida DOT - I-595 Corridor Roadway Improvements
 - North Carolina Turnpike Authority - Mid-Currituck Bridge
 - Florida DOT - Port of Miami Tunnel

Recent Events in the U.S. P3 Market

-Turnpike Concessions: SH 130 Segments 5&6-

- If GDOT is interested in pursuing a turnpike concession, it might benefit from comparing two recent turnpike projects:
 - SH 130 Segments 5&6 (TxDOT)
 - Airport Parkway (MDOT)
- SH 130 Segments 5&6 Background:
 - New 41 mile turnpike between San Antonio and Austin to connect with the larger 90+ mile Central Texas Turnpike Project
 - \$3.4 billion Central Texas Turnpike Project closed financing in 2003
 - Municipal financing approach left \$800m gap in funding needed for SH 130 Segments 5&6

Recent Events in the U.S. P3 Market

-Turnpike Concessions: SH 130 Segments 5&6-

- TxDOT utilized a P3 procurement to evaluate the entire north-south corridor of which SH 130 was a part
- Developer proposed a P3 transaction for Segments 5&6 that would cover the entire \$800m funding gap (used more aggressive private financing approach than was possible with municipal financing)
- TxDOT chose to proceed with a toll concession for Segments 5&6
 - Up-front payment of \$25 million
 - Private partner covers 100% of design, construction, financing, operations and maintenance
 - Financial Close – March 6, 2008
 - Now under construction

Recent Events in the U.S. P3 Market

-Turnpike Concessions: Airport Parkway-

- Airport Parkway Background:
 - Planned new 12 mile turnpike (including a major new bridge)
 - MDOT goals:
 - Have private partner design, construct, finance, operate and maintain the project
 - Not use tax money to fund the project
 - Shift all financing, cost overrun and toll revenue risks to private sector
- Procurement started early 2008
- Project suspended in September 2009

Recent Events in the U.S. P3 Market

-Turnpike Concessions: Comparison of SH 130 Segments 5&6 and Airport Parkway-

- Both greenfield toll concessions
- 100% private financing required for both projects
- Contrasting economic conditions
- Prior tolling history / established customer base
 - Texas has significant tolling experience
 - Mississippi's market unproven

Recent Events in the U.S. P3 Market

- Managed Lanes Projects-

- If GDOT is interested in pursuing a managed lanes concession, it might benefit from comparing two recent managed lanes projects:
 - I-595 Corridor Roadway Improvements Project (FDOT)
 - IH 635 Managed Lanes Project (TxDOT)
- I-595 Background:
 - Project covers 10.5 miles along I-595 in Fort Lauderdale, Florida
 - Improvements to the existing freeway and interchanges, including addition of reversible managed lanes
 - Estimated construction cost of \$1.2 billion
 - FDOT unable to currently finance the project using design-bid-build

Recent Events in the U.S. P3 Market

- Managed Lanes Projects: I-595 Corridor Roadway Improvements Project-

- FDOT goals:
 - To shift construction, lifecycle, performance and availability risks to private sector
 - To retain control over, and risk associated with, toll revenues
- FDOT chose an availability payment concession to close this funding gap
 - Private partner responsible to design, build, finance, operate and maintain the project – 35 year term
 - Private partner to be paid on annual availability
 - Reached Financial Close in March 2009 and now under construction
- By using P3, FDOT to complete the project 15 years ahead of schedule

Recent Events in the U.S. P3 Market

-Managed Lanes Projects: IH 635 Managed Lanes Project-

- IH 635 Background:
 - Project covers 17 miles along IH-635 (LBJ Freeway) and portions of IH-35E in Dallas-Fort Worth metropolitan area
 - Improvements to existing freeways, including addition of managed lanes
 - Estimated \$1.2 billion construction cost far exceeds TxDOT's current available funding
- TxDOT goals:
 - To shift construction, lifecycle, performance and availability risks to private sector
 - To shift toll revenue risk, subject to rate setting restrictions and revenue sharing
- TxDOT chose to use a toll concession to close funding gap
 - Reached commercial close September 2009
 - Financial close expected 2010

Recent Events in the U.S. P3 Market

-Managed Lanes Projects: Comparison of I-595 and IH 635-

- Both are complex, urban projects that involve reconfiguring and reconstructing existing Interstates to add managed lanes and make other improvements
- Contrasting Agency Goals
 - FDOT – Maximize project availability (both managed lanes and general purpose lanes)
 - TxDOT – Minimize state funding for the project
- Availability Payments vs. Toll Concession (Reflection of Goals)
 - FDOT - Kept toll revenues and used an availability payment concession to achieve its goals (first such U.S. deal)
 - TxDOT - Shifted toll revenue risk to achieve its goals

Recent Events in the U.S. P3 Market

-Mid-Currituck Bridge-

- If GDOT is interested in pursuing a complex project still pre-feasibility, it might benefit from reviewing the North Carolina Turnpike Authority's Mid-Currituck Bridge Project
- Background:
 - Seven-mile bridge (and related improvements) over Currituck Sound to North Carolina's Outer Banks
 - Seasonal traffic to vacation destination
 - NEPA process not complete and financial feasibility undetermined
- NCTA brought on a private partner to help define project and reach financial feasibility
 - Private partner to help with design efforts (focus on green options)
 - Pre-development agreement signed April 29, 2009
 - Once feasible and meeting NCTA goals, the parties will negotiate an agreement with the private partner to design, build, finance, operate and maintain the bridge

Recent Events in the U.S. P3 Market

-Port of Miami Tunnel Project-

- If GDOT wants to pursue a complex project that is ready for hard bids, it might benefit from reviewing FDOT's Port of Miami Tunnel Project
- Background:
 - Tunnel under Biscayne Bay will link the Port of Miami to MacArthur Causeway and I-395
 - Technically complex project in planning stage for over 20 years
 - Currently all traffic to and from the Port goes through Downtown Miami; much of this traffic will be diverted through the tunnel
- Goals:
 - Use private financing to supplement available public funding
 - Shift performance risk of complex, novel project to private sector
- FDOT chose an availability payment concession to achieve goals
 - Private partner will receive maximum annual payments for performance
 - Reached Financial Close on October 15, 2009

Recent Events in the U.S. P3 Market

-Key Success Factors for P3s-

- Recognition that P3 is an appropriate tool to deliver some, but not all projects
- Political support for private sector innovation and investment
- Institutional commitment to a robust and sustainable P3 program
- Understanding that the P3 decision-making process is objective and not subjective
- Public acceptance of the role of tolls and other user fees in supplementing tax revenues and providing mobility

Recent Events in the U.S. P3 Market

-Key Challenges for P3s-

- Lack of commitment to a disciplined and reliable P3 program
- Emotional fear of losing control over the public asset
- Inability to explain to the public the value added by private sector involvement
- Concern over foreign investment
- Inability to agree on commercially reasonable risk allocations

P3 Efforts to Date

-Timeline for key P3 activities-

11 May 2009

Senate Bill 200 signed by Governor

18 Jun 2009

The State Transportation Board elected a new Commissioner

26 Jun – 27 Jul 2009

P3 Program Implementation Plan developed

23 Jun – 16 Sep 2009

P3 Rules developed and presented to State Transportation Board

18 Jun – 31 Jul 2009

Biennial list of P3 candidate projects developed and delivered to the State Transportation Board

10 Jul 2009

Presented P3 potential project list to ARC and other state MPOs

23 July 2009

P3 Staff Workshop

P3 Efforts to Date

-Timeline for key P3 activities (continued)-

28 Jul 2009

First P3 Steering Committee meeting

07 Aug – 04 Nov 2009

Screening of candidate projects for purposes of establishing a pipeline of near, medium, and long term projects

04 Sep - Present

Development of Guidelines

20 Oct 2009

Met with House and Senate Transportation Committees

30 Oct 2009

Meeting with Transportation Partners

03 Nov 2009

Rollout of newly redeveloped P3 website: www.GeorgiaP3.org

04 Nov 2009

P3 workshop with State Transportation Board and opening of the Rule making process

P3 Efforts to Date

-Timeline for key P3 activities (continued)-

03 Dec 2009

Industry workshop to introduce P3 program/projects to the P3 industry

10 Dec 2009

Conditional approval of Rules by State Transportation Board

Jan 2010

P3 Rules to be approved by the House and Senate Transportation Committees

21 Jan 2010

Anticipated Board approval of final Rules

30 Jun 2010

Goal for the Department to initiate its first solicited P3 project

P3 Governing Documents

- Hierarchy -

Senate Bill 200
Enabling Legislation

Rules
Framework for implementing SB 200

Guidelines
Internal guidance for the Department

Solicitation Documents
Varies from project to project

Proposed Rules

Purpose and Intent

- Department responsible for promulgating rules per SB 200
- Provides framework for implementing SB 200

Process and Timeline

- Met with House and Senate Transportation Committees on October 20 and obtained comments
- Additional comments will be obtained from transportation partners, stakeholders and industry professionals
- Rule-making process planned to open in November and close in December
- Presented to State Transportation Board for conditional approval at December meeting pending final submission to the House and Senate Transportation Committee at the beginning of the 2010 session

Proposed Rules

Principles for Drafting Rules

- Based on best practices
- Confined to implementing SB 200
- Department's internal procedures for implementing P3 program will be addressed in separate guidelines

Key P3 Concepts Addressed in the Rules

- Solicited versus unsolicited proposals
- Two-step versus one-step procurement processes
- Use of innovative project delivery methods

Due Diligence Activities

- Met with and received comments from House and Senate Transportation Committee members
- Met with and received comments from transportation partners (FHWA, FTA, GRTA, MARTA, ARC, SRTA, Executive Branch)

Proposed Rules

Rules Revised in Response to Comments

- Please refer to the revised P3 Rules and P3 Rules Comments Matrix

Key Issues Addressed

- Added policy objective to promote use of local work force, as well as disadvantaged and small businesses
- Added language allowing the Department to supplement the P3 Project list
- Clarified that the criteria and conditions for the payment of work product will be addressed in the RFP
- Added language addressing the location of the public hearing
- Clarified that the P3 contract provisions will be determined on a project-by-project basis, and that they will be consistent with applicable law
- Revised language to accommodate transit-oriented development and other “non-traditional” transportation services
- Clarified that protest procedures are not intended to override applicable law

Opening the Rules Process

4 Nov 2009

Board Workshop to formally open the Rules Process

04 Nov – 04 Dec 2009

Rules Process open for 30 day open comment period

30 Nov 2009

Public hearing on the Rules

04 Dec – 09 Dec 2009

Internal evaluation of public comments

10 Dec 2009

State Transportation Board closes Rule Process and approves Rules

Jan 2010

Rules to be voted on by House and Senate Transportation Committees

21 Jan 2010

Return to State Transportation Board for final vote

22 Jan 2010

Present final Rules to the Secretary of State

Proposed Guidelines

Purpose

- Provide a general framework, process and structure for the Department's P3 program. The Guidelines are advisory and descriptive in nature

Status

- Drafting of the Guidelines is a work in progress

Timeline for completion

- The Guidelines are intended to be maintained as a living document with changes and revisions made as appropriate

*A draft copy of the Guidelines has been provided

P3 Project Planning

-Project List-

P3 Project report submitted to the Board on July 31st per SB 200, including:

- Managed Lanes System Projects
- IT3 Capacity Improvement Projects
- High Speed Rail Projects
- Intercity Passenger Rail Program Projects
- Downtown Atlanta Multimodal Passenger Terminal
- Welcome Centers and Rest Areas

P3 Project Planning

-Screening Process-

- The objective was to prioritize projects to enable focused project development and resource allocation
- Worked with Planning Director to identify projects to advance as P3
- Presented P3 potential project list to ARC and other state MPOs and solicited input
- Developed a comprehensive 2 step project screening protocol
 - Completed data collection
 - Each project was scored through consensus by the scoring committee
- Screened projects reviewed and finalized by the P3 Steering Committee incorporating IT3 principles and Congestion Mitigation Task Force recommendations
- Projects appropriate for conventional transportation P3 delivery were categorized into Tier 1 or 2
- Final screened projects to be presented to the State Transportation Board and subsequently shared publicly

P3 Project Planning

-“Pipeline” Concept-

- Projects in the pipeline identified through the screening process
- P3 pipeline is a set of near, medium and long term projects
- Various criteria that measured P3 project feasibility
- Foundation for future biennial P3 project identification
- Some projects are more “mature” than others
 - Projects with ongoing NEPA will be the first in the pipeline
 - Projects identified by the MLSP but requiring NEPA will follow
 - Other feasibility and NEPA studies will be required to advance projects
- Purpose is to not just build one project, but a process of building a program

P3 Project Planning

- Screened Projects -

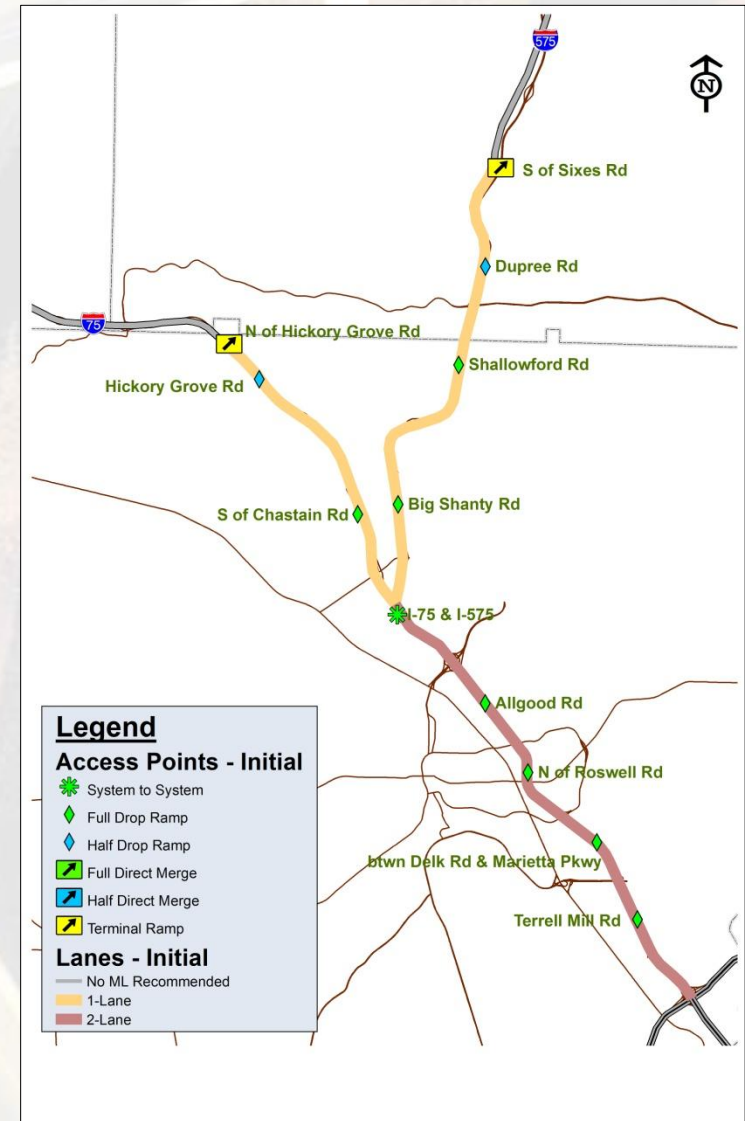
I-75/I-575 Northwest Corridor	I-285E Managed Lanes from I-85N to I-20E
I-285 Top End Revive285 Corridor Improvements	I-75 South Managed Lanes
Gwinnett Connector	I-20E Managed Lanes
I-285W and I-20W Managed Lanes	I-85 Widening SR 211 to South Carolina
SR 400 Managed Lanes	Intercity Passenger Rail (Atlanta to Macon)
Jimmy Deloach Parkway Extension	High Speed Rail
Atlanta North-South Tunnel	I-75/I-85 Downtown Connector Managed Lanes
Multi Modal Passenger Terminal (MMPT)	Truman Parkway Phase V
Rest Area and Welcome Center Concessions	SR 400 Asset Lease*

*Was not evaluated as a part of the screening process

I-75/I-575 Northwest Corridor

- Proposed Project* 26.17 miles
 - 2 reversible lanes along the west side of I-75 from I-285 to I-575
 - 1 reversible lane along I-75 from I-575 to Hickory Grove Road
 - 1 reversible lane along I-575 from I-75 to Sixes Road
- NEPA EIS underway. Supplemental DEIS required. ROD expected end of 2010
- Decisions regarding P3 procurement model and procurement timing to be determined
- Relatively mature project

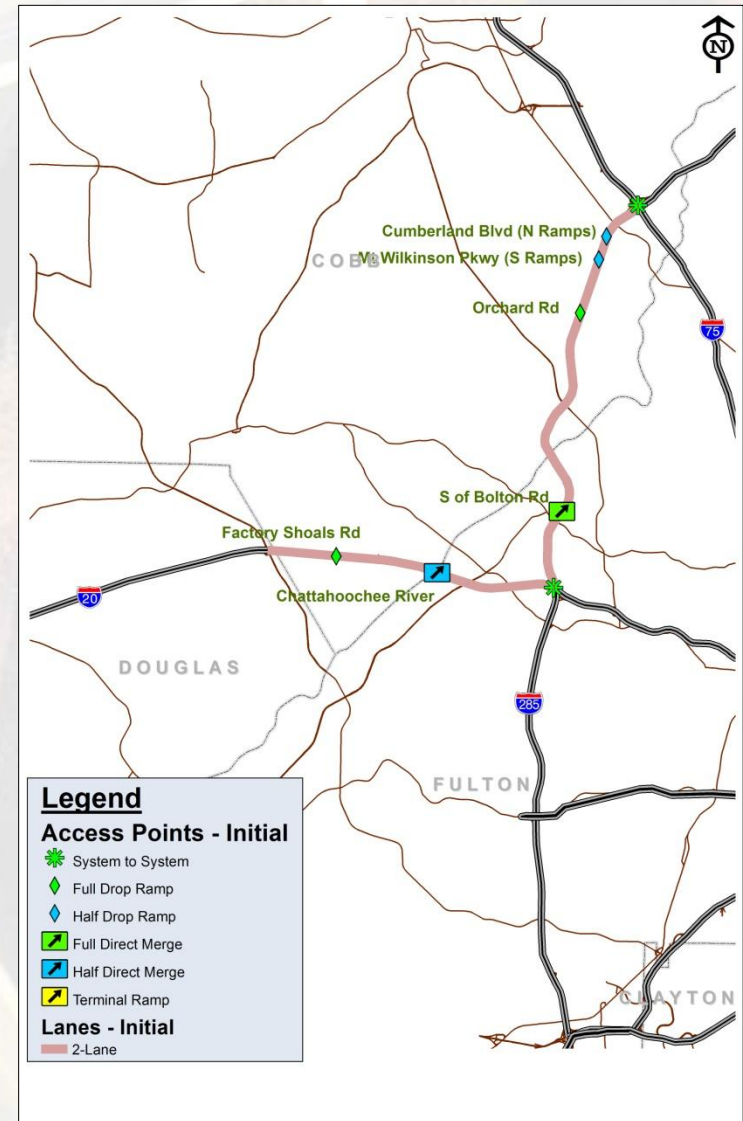
**Recommendations of the MLSP, initial corridor*



I-285W/I-20W

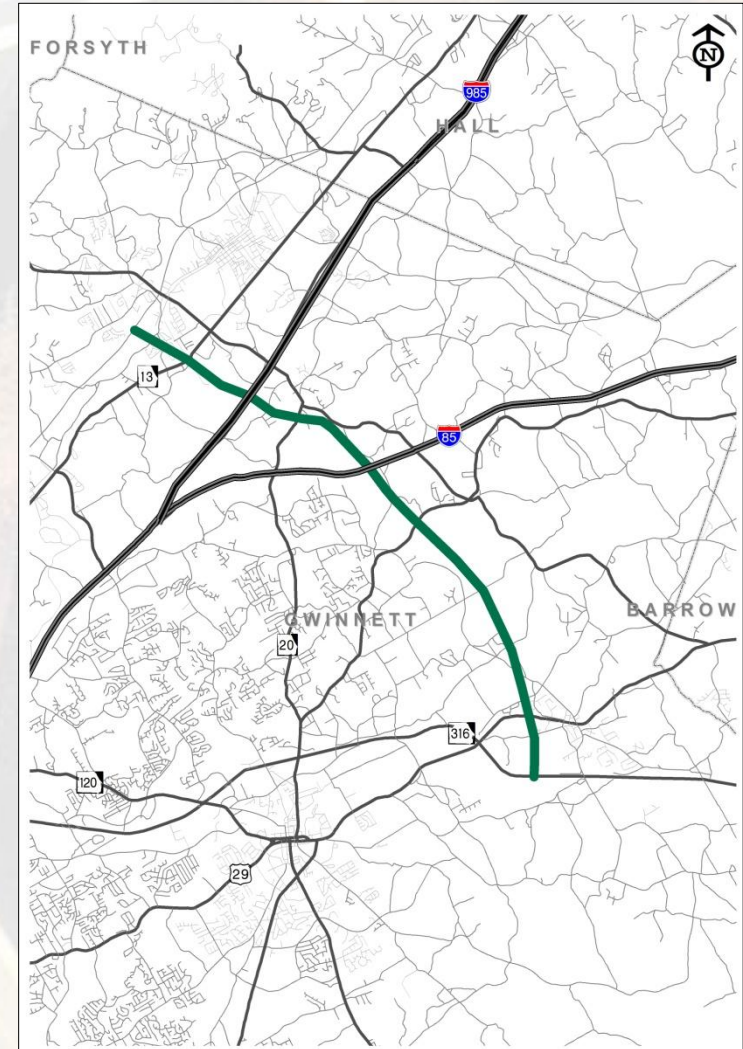
- Proposed I-285 W/I-20W Project* 16.05 miles
 - 2 managed lanes in each direction along I-285 from I-75 to I-20W
 - 2 managed lanes in each direction along I-20W from I-285 to Thornton Road (tentative)
- No NEPA or development work has commenced on I-285W. NEPA and concept development work on I-20W suspended in 2006.
- Decisions regarding P3 procurement model and procurement timing to be determined

**Recommendations of the MLSP*



Gwinnett Connector

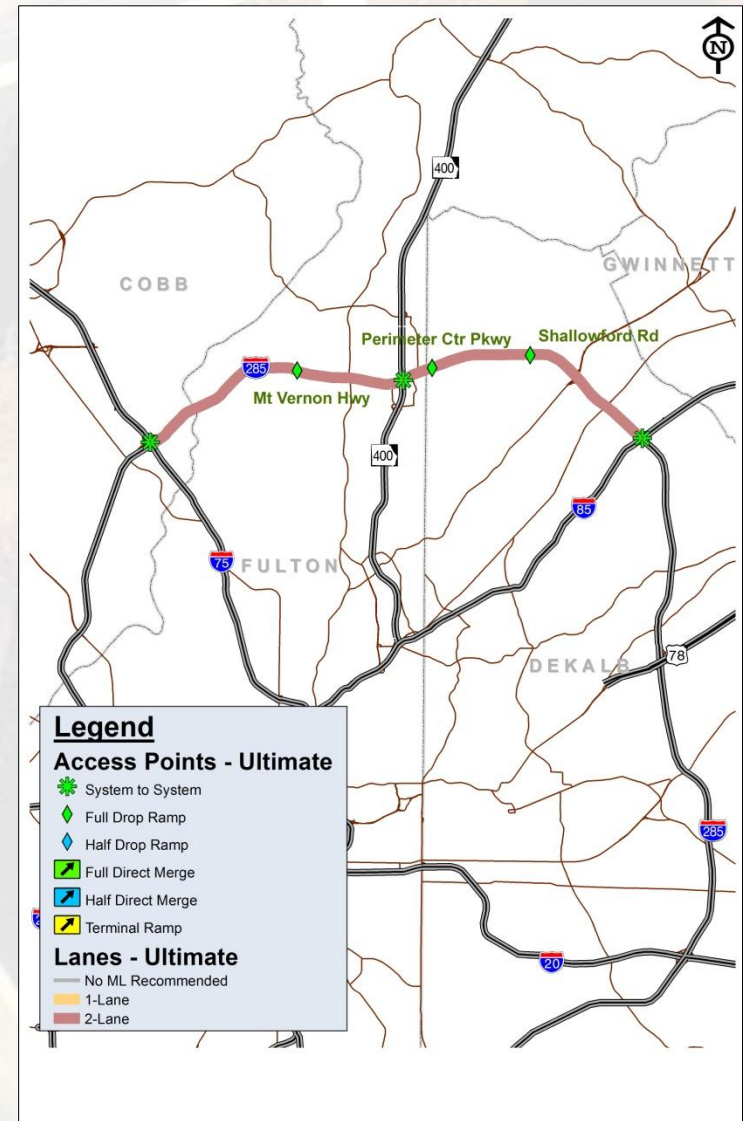
- Sugarloaf Parkway Extension Phase II
- Proposed Project 13.36 miles
 - SR 316 to Peachtree Industrial Blvd (PIB)
 - New location (green field) facility
 - Divided, limited access toll road
 - 2 lanes in each direction
- Project supported by Gwinnett County
- Approximately 60% of Right-of-way has been purchased
- Environmental documents approved in 1988 & 1989 – determination would be needed if new document is required and what level of documentation
- Project development activities need to begin



I-285 Top End

- Proposed Project*
 - 2 managed lanes in each direction between I-75N and I-85N (13.14 miles)
- NEPA document being prepared by Revive 285 Team
 - DEIS scheduled to be complete end of 2010
 - ROD anticipated end of 2011
 - Need to understand scope of P3 managed lane project vs. comprehensive corridor improvements cleared under EIS
- Cost and T&R estimates need to be developed
- Decisions regarding P3 procurement model and procurement timing to be determined

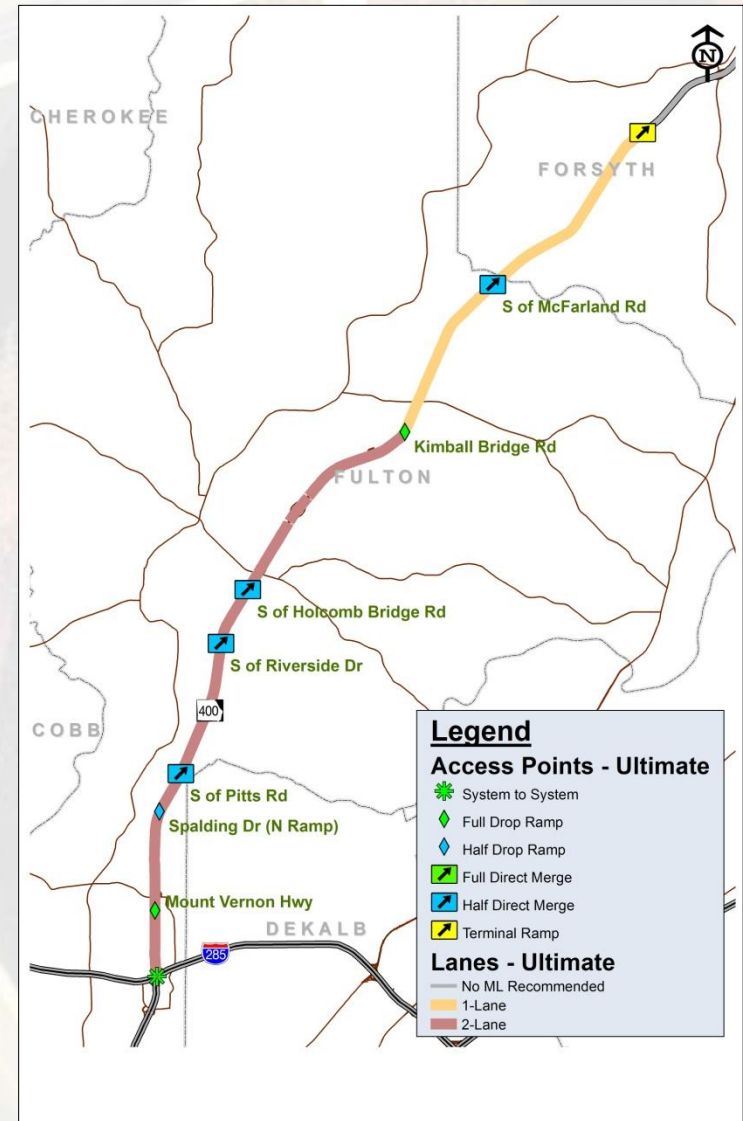
**Recommendations of the MLSP*



SR 400 HOT Lanes

- Proposed Project* 21.18 miles
 - 2 managed lanes in each direction from I-285 to Kimball Bridge Road
 - 1 managed lane in each direction from Kimball Bridge Road to SR 141/Peachtree Parkway
- Due diligence and NEPA development activities need to commence
- Corridor policy decisions needed to better define project
- Decisions regarding P3 procurement model and procurement timing to be determined

**Recommendations of the MLSP, ultimate corridor*



Preliminary Procurement Strategy

-Key Projects-

- I-75/I-575 Northwest Corridor & I-285W/I-20W
 - Bundled solicitation (hard bid and PDA components)
 - Near term solicitation
- Gwinnett Connector
 - Delivery model dependent on NEPA timeline
 - Preferred option is hard bid
- I-285 Top End
 - Delivery model depends on completion of NEPA documents
 - Preferred option is hard bid
- SR 400 HOT Lanes
 - Preferred option is PDA

P3 Next Steps

- Present P3 screened projects to the State Transportation Board
- Review prior P3 Board policies and revise as necessary
- Schedule Partner meetings to begin defining roles, responsibilities and expectations
- Develop coordinated P3 program outreach for the public and stakeholders, including public officials, local governing authorities and agencies
- Conduct industry workshop in December 3, 2009 to present P3 program, screened P3 projects, and solicit feedback
- Secure approval of rules by House and Senate Transportation Committees for final approval by the Board
- Perform pre-solicitation and solicit at least one P3 project in 2010